

Weaker US grain prices and stronger AUD not a good mix for local prices.

- Markets:** US retail sales fell by a smaller than expected 0.2% in May after rising by 0.3% in April. The weaker May result marked the first fall in 11 months and was driven by the weakness in auto sales due to the Japanese earthquake. Core retail sales (which exclude autos, gasoline and building materials) rose 0.2% in May. US producer prices rose by just 0.2% in May after rising by 0.8% in April. The modest rise in prices was largely due to a fall in gasoline prices. The Chinese economic data-set released yesterday revealed that the Chinese economy continues to move ahead strongly with Industrial Production up 13.3% in May and Inflation up 5.5% for the month. Chinese authorities responded by lifting banks reserve requirement ratio by another 50bps. European and US sharemarkets rallied overnight.
- Currencies:** The AUD rose 1.3% to USD1.0687 overnight (London close) while the USD index fell 0.1% to 74.4pts.
- Weather:** A low and a trough in the east are generating heavy rain in northeastern NSW, leading to flash flooding. Moist, unstable southeasterly winds are causing showers elsewhere in eastern NSW and southern QLD. A cold front is bringing a burst of strong winds and patchy rain to WA. (www.weatherzone.com.au)
- Grains:** US grain markets finished lower overnight.
 - CBOT wheat (Jul 11) fell 11 ¾ cents (1.6%) to US\$731.25/bu and the Dec 11 contract dropped 1.7% to US\$802.5/bu (-A\$282/t), well below the late May high of US\$920.25/bu. The US HRW harvest added seasonal pressure to prices, as did the recently improved global crop weather. Improving production potentials in many areas has allowed the market to remove some of the weather-risk which had previously been priced into the market. But, in our view, it's premature to believe global grain supply for 2011/12 is assured, and as such we continue to expect elevated prices for some time yet. Encouraging for prices are signs that large global buyers are re-entering the market. Reuters reported that Egypt's GASC bought wheat for the first time in four months after purchasing 120 thousand tonnes of US SRW and French milling wheat for July shipment. Landed costs were around US\$342-347/t. The Canadian Wheat Board has indicated that up to 6-8 million acres of wheat fields will remain fallow this year because of wet weather.
 - CBOT corn (Jul 11) slumped 27 cents (3.5%) to US\$755.5/bu on the back of improving crop weather and jitters about the future state of the US ethanol industry. US senators reportedly want to scrap, or at least temper, support to the industry in a bid to help improve the US budget. Reuters also reported that the World Bank has called on governments to reduce ethanol subsidies on grounds they are driving food prices higher.
 - ASX NSW wheat for Jan 12 traded at \$282/t yesterday which turned out to be in line with last night's closing value for CBOT wheat. Meanwhile, Jan 12 ASX feed barley traded at \$238/t, just \$44 below NSW wheat values. Back in February this spread was over \$100/t. We don't believe this spread will continue to tighten significantly from here-on-in given the current relative abundance of old-crop feed grain in Australia – much of which will be carried into 2012 – and the sound 2011/12 crop production prospects. ABARES' June Crop Report will be released later today.
- Oilseeds:** CBOT soybeans (Jul 11) finished 1.1% (14¼¢) weaker at US\$1368/bu overnight, pressured by weaker US corn prices and improved US soybean crop weather. Canadian canola (Jul 11) fell C\$6.3 to C\$582.7/t.
- Cotton:** NY cotton (Jul 10) bounced 459pts to US\$155.54/lb while the Dec 11 contract closed 20pts firmer at US\$131.78/lb. Crop concerns and strong Chinese economic data supported the fibre complex. However dark demand clouds continue to loom-large over the complex. More production cuts are expected in Indian cotton mills because of continued weak demand.
- Sugar:** NY raw sugar (Jul 11) ended 44pts (1.7%) weaker at US\$25.15/lb with modest losses observed across the curve. Slumping white sugar prices and improving in Brazilian cane crushing progress weighed on NY prices.
- Crude Oil:** NYMEX crude oil (Jul 11) rose 2.4% to USD99.64/bl.

Ag Commodity Markets: Daily Price Summary*

Commodity	Unit	Jul 11	Dec 11	Dec 12
US Wheat (CBOT)	USc/bu	731 -1.6%	803 -1.7%	889 -1.3%
	AUD/t **	252 -2.8%	282 -3.0%	327 -2.5%
AU Wheat - East (ASX)	Unit	Jul 11	Jan 12	Jan 13
	AUD/t	275 ~	282 -1.6%	310 ~
AU Wheat - WA (ASX)	Unit	Jul 11	Jan 12	Jan 13
	AUD/t	376 ~	303 ~	317 ~
US Soybeans (CBOT)	USc/bu	1368 -1.1%	1364 -0.9%	1359 -0.7%
	AUD/t **	472 -2.3%	478 -2.2%	495 -2.0%
CA Canola (ICE)	CAD/t	583 -1.1%	585 -1.1%	569 -1.2%
	AUD/t **	565 -1.3%	575 -1.3%	575 -1.4%
AU Canola (ASX)	Unit	Jul 11	Jan 12	Jan 13
	AUD/t	535 ~	580 ~	580 ~
US Corn (CBOT)	USc/bu	756 -3.5%	685 -2.8%	622 -2.9%
	AUD/t **	279 -4.7%	258 -4.0%	246 -4.2%
AU Barley (ASX)	Unit	Jul 11	Jan 12	Jan 13
	AUD/t	219 ~	238 ~	243 ~
AU Sorghum (ASX)	Unit	Jul 11	May 12	May 13
	AUD/t	232 ~	240 ~	240 ~
US Raw Sugar (ICE)	USc/lb	25.15 -1.7%	24.23 -0.6%	23.04 -0.9%
	AUD/t **	520 -3.0%	506 -1.9%	504 -2.1%
US Cotton (ICE)	USc/lb	155.54 +3.0%	131.78 +0.2%	111.97 +0.3%
	AUD/bale **	729 +1.7%	629 -1.1%	549 -1.0%
AU Wool EMI (AWEX)	Unit	Latest	% chg	Last Pricing
	AUD/kg	14.20	0.0%	9/6/11
AU Cattle (EYCI)	Unit	Latest	% chg	Last Pricing
	AUD/kg	3.81	-0.8%	14/6/11
Crude Oil (WTI)	Unit	Latest	% chg	Last Pricing
	USD/bl	99.64	2.4%	14/6/11
	AUD/bl **	93.23	1.1%	14/6/11
Commodity Indices	Unit	Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1349	-0.9%	14/6/11
	S&P Agri & L'stock (AUD)	1262	-2.2%	14/6/11
	S&P All Commodities (USD)	5325	0.9%	14/6/11
	S&P All Commodities (AUD)	4982	-0.4%	14/6/11
Currencies	Unit	Latest	pts chg	% chg
	AUD/USD	1.0687	0.0139	1.3%
	AUD/CAD	1.035	0.0027	0.3%
	AUD/JPY	86.05	1.44	1.7%
	USD Index	74.4	-0.1	-0.1%
Equity Markets	Unit	Latest	pts chg	% chg
	ASX S&P200	4585	~	~
	US DJI	12076	123	1.0%
	UK FTSE	5803	30	0.5%

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 14/06/11, previous pricing date is 13/06/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



Figure 1: CBOT Wheat (1st Contract, USc/bu)

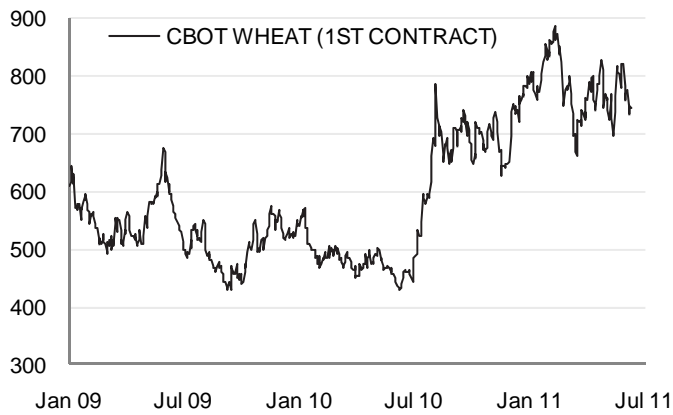


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



Figure 3: CBOT Corn (1st Contract, USc/bu)

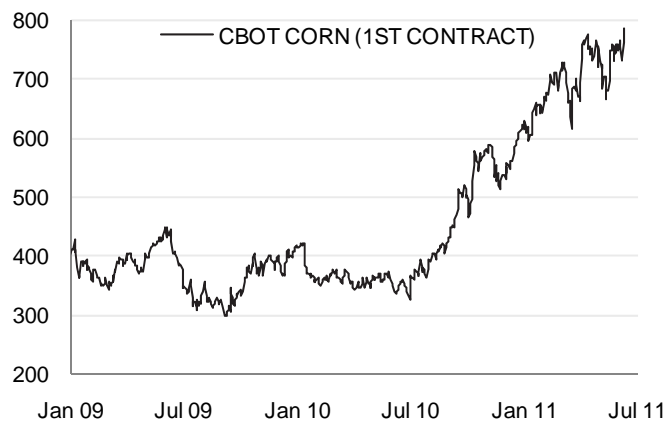


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

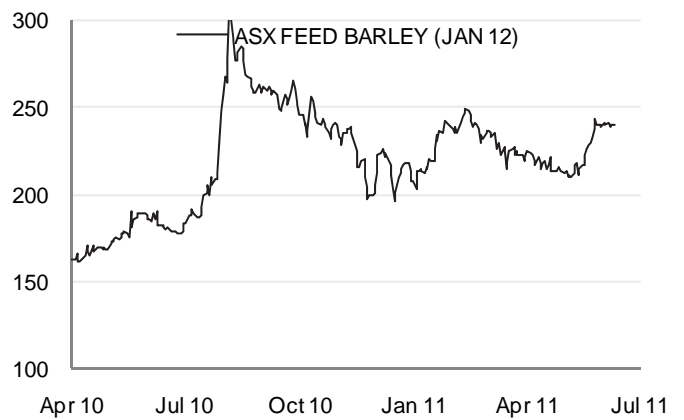


Figure 5: CBOT Soybeans (1st Contract, USc/bu)



Figure 6: ICE Canola (1st Contract, C\$/t)

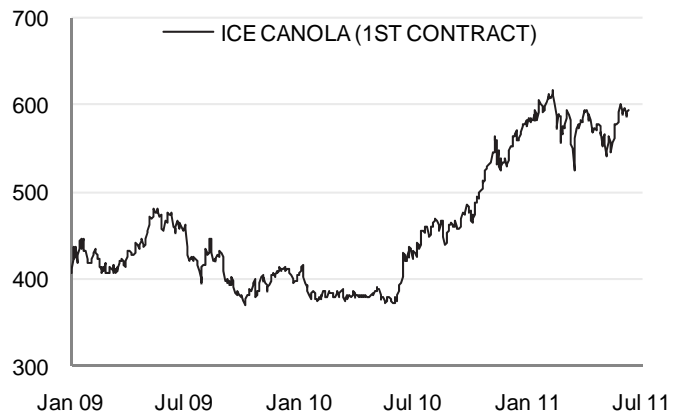
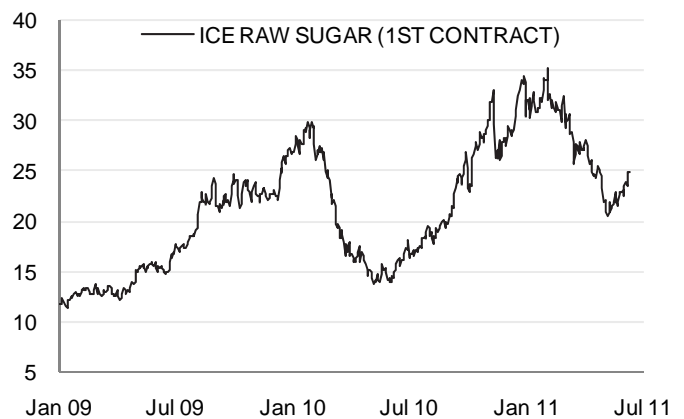


Figure 7: ICE Cotton (1st Contract, USc/lb)



Figure 8: ICE Sugar (1st Contract, USc/lb)





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